Public Policies

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DOWN, DOWN, DOWN

A fresh eye, new approach slashes lag for licenses

By Melissa Becker

The wait for a Missouri insurance license — considerably more than a month last summer — now lasts a matter of days.

"If we receive an application on Monday, we're mailing the license on Thursday or Friday," says Mike Duffeck, the new licensing program manager, who cast fresh eyes on the state's age-old procedures and used numerous staff suggestions to reorganize the section.

Duffeck joined the department in January 2000 as a consumer service specialist after working 15 years at Shelter Insurance Co. in Columbia. There Duffeck moved from an underwriter to personnel staffer to training manager. But last year Duffeck opted for a career change to public service, hoping to spend more time with his family and delve into insurance regulation.

After his promotion to MDI licensing manager in July 2000, his first steps were to examine workflow, observe and monitor procedures — and ask lots of questions.

The No. 1 priority of the section is issuing and renewing licenses for almost 100,000 agents, agencies, brokers and others, but it also handles certifications, clearances, duplicates, address changes, agency changes and cancellations. Fully staffed, the section employs 20 licensing technicians and one clerk. Each technician handles up to 400 calls per month, besides paperwork operations.

Mike Duffeck, Licensing Supervisor

A chicken-and-egg dilemma — high turnover and pay levels for the licensing jobs — aggravated attempts to cut the licensing lag. The section worked substantial overtime to compensate, but that wasn't enough and may have compounded turnover.

Duffeck and his staff changed training procedures, mail handling and organized into three teams of six to seven people. The section now has four designated trainers rather than one, and the three teams divide the phone and processing work. Each team works phones one week of every three, allowing the other two to process licenses and other work without the lost time of phone interruptions.

Elsie Sadler, licensing tech I, processes an agency license.

Everyone in the section can become a team leader, who determines if more phone coverage is needed and helps keep work flowing. The team system has reduced the stress level, eliminated many calls, boosted morale and has really given the staff a team outlook, Duffeck says

"Processing turnaround has improved dramatically," Duffeck says. "We have been fully staffed and have had good attendance, so that helps. I am proud of the staff — they have done a tremendous job. Our goal is to stay within two to five days."

A survey of 46 other states, conducted in November 2000, found that Missouri is among a handful of states processing licenses in three business days; processing time ranged from one day to four months. At the time only five of the surveyed states were faster than three business days.

The department also now offers a walk-in service for certification letters and duplicate licenses and the MDI Web site — *www.insurance.state.mo.us* — contains the forms necessary for agent and agency licenses.

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MDI okays Health Partners sale of commercial HMO plans to GHP

MDI has approved Health Partners of the Midwest's sale of its commercial HMO business to Group Health Plan (GHP), another health maintenance organization based in St. Louis.

The transaction will not affect current Health Partners members or their benefits under existing contracts, which GHP will assume under a reinsurance agreement.

At the end of 1999, Health Partners officially reported 65,303 members in commercial group coverage, which usually is provided through employers. Virtually all of that enrollment came from greater St. Louis.

Health Partners — an HMO owned by BJC Health System hospitals and Washington University of St. Louis — will continue to operate as a Medicaid-only HMO. Last year ended with almost 39,000 Missourians enrolled in the Health Partners Medicaid plan, making it the second largest in the state.

The transaction increases the presence of GHP in the St. Louis market. GHP at the end of 1999 had 21 percent of the commercial HMO and point-of-service (POS)* markets in the St. Louis Metropolitan Statistical Area, or MSA, which corresponds to the greater St. Louis market. Health Partners' commercial enrollment will add another 8.2 percent of the commercial business to GHP's market share.

The two HMOs had ranked second and fourth in St. Louis market commercial enrollment at the end of 1999; United HealthCare of the Midwest was the largest with more than 320,000 members, or 45 percent of the market.

Health Partners has posted large losses on its commercial business; total losses in 1999 alone were $14.5 million, or the largest of any Missouri-based HMO.

Its likely withdrawal from the commercial market would have forced employers to seek coverage elsewhere. Many of those larger companies wanted their workers and dependents to have access to BJC hospitals, such as Barnes and Jewish, which have managed care contracts with GHP.

The St. Louis Area Business Health Coalition, representing many of the area's largest employers, originally expressed concerns about the transaction's effect on prices and services, and the group was involved closely in deliberations on the proposal.

**POS plans generally provide HMO-style benefits without the required use of gatekeeper physicians to gain access to specialists and other health-care providers; enrollees are required to make larger co-payments for out-of-network services, which usually are not covered in regular HMO plans.*

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12/31/1999 enrollment, greater St. Louis HMOs

HMO	HMO Plan Enrollees	POS Plan Enrollees	Medicare Enrollees	Medicaid Enrollees	Total Members
United Healthcare of the Midwest	134,671	185,582	53,655	0	373,908
Group Health Plan, Inc.	93,862	56,930	40,096	0	190,888
Health Partners of the Midwest	53,571	5,179	0	39,368	98,118
Prudential Health Care Plan, Inc.	48,960	23,391	0	12,602	84,953
Healthcare USA of Missouri	0	0	0	74,179	74,179
Mercy Health Plan of Missouri Inc.	22,567	27,633	1,693	13,918	65,811
HMO Missouri, Inc.	39,880	6,047	4,900	0	50,827
The Alliance for Community Health Inc.	0	0	0	21,351	21,351
Healthlink HMO, Inc.	8,102	4,299	0	0	12,401
CIGNA Healthcare of St. Louis, Inc.	5,228	1,544	0	0	6,772

Workers compensation rates drop 2.5 percent for 2000; employers save extra $14 million

Average workers compensation rates fell 2.5 percent for Missouri employers buying commercial coverage in 2000, saving them an overall $14 million, according to insurance company reports.

Last year's figures brought Missouri workers compensation reductions to 24.3 percent since the state deregulated rates in 1994, producing annual savings of more than $180 million a year.

Since the state's landmark workers comp reform legislation was enacted in the first year of the late Gov. Mel Carnahan's administration, 285 of the state's 317 licensed insurers have reduced their overall rates, based on their reports to MDI.

The year 2000 rate reductions also dipped deeper than the annual advisory that MDI, by law, made to insurance companies and self-insured businesses.

"For 2000, we had forecast stable rates in what we called a "worst-case scenario,'" said Keith Wenzel, the MDI director. "The final figures showing a 2.5 percent reduction come closer to the most optimistic of our estimates about how the market would behave."

Last year, 164 insurers filed rate reductions with the department averaging 7.2 percent. Another 74 insurers filed rate increases, averaging 8 percent.

The rate of decline has been slowing, as competitive rate-setting has driven premiums down to a level that takes into account workplace safety improvements, reduced injury rates and consequently lower benefit costs for injured workers.

The period of rate-cutting peaked in 1997 and 1998, when average rates fell by almost 10 percent a year.

Both MDI and the National Council on Compensation Insurance, a insurance industry-affiliated consortium, have recommended further modest reductions in workers compensation rates for Missouri businesses in 2001.

Missouri workers compensation rate history

Year	Companies reducing rates	Average reduction for those companies (unweighted)	Overall reduction, total Missouri market (weighted)
1995	130	7.6 %	6.7 %
1996	159	9.5 %	4.1 %
1997	240	13.0 %	9.6 %
1998	212	15.3 %	9.8%
1999	181	9.4%	3.3%
2000	164	7.2%	2.5%

Weighted reductions take into account a company's market share. Unweighted reductions are the simple arithmetic mean of those companies filing rate cuts.

Employee of the Quarter - Jim Mealer

Jim Mealer, Employee of the Quarter

It's a job that never gets monotonous and changes every day - something not many people can say. Jim Mealer, the MDI Employee of the Quarter, never nods off as a market conduct examiner.

Mealer has been an examiner-in-charge since 1996. He supervises a team that reviews all operational aspects — marketing, claims and underwriting — of insurance companies to ensure fair and equitable treatment of consumers.

Mealer has been with the department for 10½ years. He began his career as a surplus lines examiner and after three years he moved to the market conduct section.

Mealer says the most challenging part of his position is interacting with the personnel of each company. "Each company assigns a coordinator who usually is not thrilled to see us," says Mealer.

"Each coordinator has a different personality, and we must develop a working relationship and rapport that allows us to obtain the information necessary to conduct a thorough examination."

The travel associated with the job is also challenging. "I keep saying to myself: I love airlines, I love airlines," says Mealer. "Basically over the years, airlines have taught me patience," he adds.

The section closed 50 exams in 2000. The total market conduct forfeitures and recoveries totalled $734,000 for 2000.

Mealer says his job has helped him develop a broad base of skills that are very useful in the insurance industry. Over the years, he has learned how each company markets their products, develop policy language, underwrite and adjudicate claims.

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Judge accepts settlement in General American case

Eastern District U.S. Judge Catherine D. Perry on Dec. 19 accepted a class-action settlement that obligates General American Life Insurance Co. to pay an estimated $55 million to compensate policyholders for deceptive sales practices.

The proceedings, involving life policies issued from 1982 to 1996, also will settle an MDI market conduct examination against the insurer. Perry's order covers all 250,000-plus persons in the class except 54 policyholders who opted out and may pursue individual litigation.

The order follows a Dec. 15 fairness hearing and the Aug. 24 announcement of a tentative settlement between MDI and Generla American.

The lawsuit and the MDI action do not affect, in any way, the distribution of $1.2 billion in proceeds from the January 2000 sale of General American Life and its affiliates to MetLife.

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MDI Regulatory Actions

December 2000

Legal Action - Agents, Agencies and Brokers

Joshua K. Davis, St. Louis, MO, $300 forfeiture for demonstrating lack of fitness or trustworthiness, failure to remit premiums to insurer and failure to notify company that it was at risk.

Chicago Title Co., Kansas City, MO, $2,000 forfeiture for improper handling of claims.

Enterra Settlement Services, Inc., Harrisburg, PA, $2,100 forfeiture for underwriting practices, late or incomplete response and employing unlicensed individuals.

Investors Title Co., Clayton, MO, $300 forfeiture for underwriting practices, failure to respond and failure to notify the department of address change.

National Equity Title Co., St. Louis, MO, $200 forfeiture for inconsistent closing instructions.

Nations Title Agency of Missouri, Inc., St. Louis, MO, $5,600 forfeiture for underwriting practices, failure to respond, late or incomplete response, failure to notify the department of address change and employing unlicensed individuals.

Financial Exams

Eagle National Assurance Corp., Cameron, MO.

Mercy Health Plans of Missouri, Chesterfield, MO.

RGA Reinsurance Co., Chesterfield, MO.

Company Changes

Acceleration National Insurance Co., Dublin, OH, certificate of authority suspended.

Affinity Group Underwriters Inc., Glen Allen, VA, was admitted as a TPA.

American Chambers Life Insurance Co., Cleveland, OH, certificate of authority revoked.

American Network Insurance Co., Allentown, PA, redomesticated from Vermont to Pennsylvania.

AXA Reinsurance, New York, NY, changed its name to ***AXA Corporate Solutions Reinsurance Co.***

AXA Reinsurance UK PLC, New York, NY, withdrew from the approved surplus lines NAIC listing.

Bankers Commercial Life Insurance Co., Austin, TX, certificate of authority revoked.

Benefit Plan Administrators, Inc., Ft. Worth, TX, withdrew as a TPA.

Berkley Regional Insurance Co., Wilmington, DE, redomesticated from Missouri to Delaware.

Blico Administrators, Richardson, TX, certificate of authority suspended.

Century Indemnity Co., Philadelphia, PA, certificate of authority suspended.

Conestoga Life Assurance Co., Broomall, PA, certificate of authority revoked.

Connecticut Surety Co., Hartford, CT, certificate of authority suspended.

CPA Insurance Co., West Bloomfield, MI, added liability authority.

Gulf Insurance Co., U.K. Limited, London, is using Missouri as its port of entry.

Hamilton Insurance Co., Ft. Washington, PA, certificate of authority revoked.

Jardine Group Services Corp., Latham, NY, changed its name to ***JLT Services Corp.***

John Hewitt & Assoc., Portland, ME, was admitted as a TPA.

Missouri Physicians Insurance Co., St. Louis, MO, merged with ***Missouri Physicians Associates.***

Protegrity Services Inc., Longwood, FL, was admitted as a TPA.

Security Connecticut Life Insurance Co., Minneapolis, MN, redomesticated from Connecticut to Minnesota.

Signet Star Reinsurance Co., Wilmington, DE, changed its name to ***Berkley Insurance Co.***

*(See **Regulatory Actions,** p. 6)*

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Public Policies serves as a key communications link between MDI and Missouri's legislators, weekly and broadcast media, industry observers and trade associations.

If you have comments or questions, please send them to Melissa Becker, associate editor, P.O. Box 690, Jefferson City, MO 65102-0690 or call 573-526-2946.

Regulatory Actions

(continued from p. 5)

United Benefit Life Insurance Co., Strongville, OH, redomesticated from Indiana to Ohio.

Universal Surety of America, Houston, TX, added liability authority.

Willis of Kansas Inc., Wichita, KS, was admitted as a TPA.

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Personnel

New Employees

Vicki Wilson, account clerk II, support services section

Kris Scheulen, information support coordinator, information systems section

Promotions

Hugh Richardson, computer information technologist I, information systems section

Kaiser announces plans to exit Kansas City market after 16 years

Kaiser Foundation Health Plan announced it has decided to sell most of its operations in Missouri to Coventry Health Care of Kansas and leave the Kansas City market, where it has been a fixture since 1985.

Kaiser officials said the January decision, was prompted by the long-term investment that would have been needed to remain competitive in that market.

Kaiser had lost more than $33 million since it opened its doors in western Missouri, and the Kansas City operating unit owed $48 million to its California-based parent for loans that kept the HMO in good financial standing.

Kaiser is a not-for-profit HMO in a business that increasingly has tended toward for-profit, publicly held companies.

At the end of 1999, Kaiser reported more than 39,000 enrollees in the combined Kansas and [illegible] portions of the metro area. Its 6.8 pe[illegible] anked seventh in among gre[illegible] ity HMOs.

[illegible] ld emerge from the sale as the lar[illegible] greater Kansas City. With the Kai[illegible], Coventry would have about 17 percent of the highly competitive market; Healthnet ranked No. 1 with 15 percent at the end of 1999.

Kaiser expects to transfer most of its enrollees to Coventry Health Care of Kansas, formerly Principal of Kansas City, under an assumption reinsurance agreement that needs acceptance from Kansas and Missouri Department of Insurance regulators.

The transaction also involves the transfer of large blocks of Medicare HMO and federal employee contracts to Coventry that require federal approval. Policyholders technically will have the ability to opt out of the move, but because Kaiser is closing, all HMO customers will use the Coventry network of providers after April 1, according to the plan.

If approved, the proposed transfer of HMO enrollees does not include about 1,000 Missouri individual policyholders, who will receive notices under federal law that their contracts will terminate July 31. Kaiser was preparing to mail those notices in late January.

The Kaiser proposal differs from earlier consolidations in the Misssouri HMO environment because the health plan relied heavily on four doctors clinics, wholely owned by a sister company, that would stop providing services March 1 and April 1 in greater Kansas City and release their physicians.

Policyholders, however, still will have the protection of Missouri's HMO law that offers assurances of access to the same physician for 90 days in cases requiring continuing care.

MDI also will monitor the adequacy of health-care networks for HMO enrollees during the transition from Kaiser to Coventry providers. Kaiser has emphasized that, in preparation for the transition, it has expanded its network of community-based physicians, most of whom also are in the Coventry network.

Besides the Kansas-based company, the parent Coventry Corp. also controls Group Health Plan of St. Louis and Healthcare USA, a Medicaid-only HMO.

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